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Press Release

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SDCERA signs Integrity Capital as outsourced Chief Investment Officer

SAN DIEGO — The San Diego County Employees Retirement Association (SDCERA) contracted with Integrity Capital led by Lee Partridge to serve as Portfolio Strategist. This innovative move enables SDCERA to benefit from the talent and experience of a nationally recognized investment professional to guide the fund through the current volatile and challenging market environment and position it for the future.

Partridge most recently served as Deputy Chief Investment Officer for the \$83 billion Teacher Retirement System of Texas (TRS). Over his eight-year tenure, Partridge built a formidable track record managing TRS' core-plus fixed income portfolio. Additionally, in 2007 he formed the Strategic Research and Risk Management group that overhauled the pension system's asset allocation, and mixes of active and passive strategies, and public and private market exposures. He also launched enhanced equity and commodity programs that significantly outperformed traditional alternatives. In 2008, he initiated the fund's strategic partnership program and the broader external manager program. He also supervised the fund's hedge fund program, futures trading, equity trading and over \$50 billion of passive and enhanced cash equity portfolios.

Last month, he left TRS to form Integrity Capital, a consulting practice dedicated to managing institutional investment portfolios. As SDCERA's Portfolio Strategist, Partridge will accomplish all the tasks of an internal CIO with the exception of the supervision of SDCERA's investment staff. By outsourcing the CIO responsibilities through a multi-year contract, SDCERA is able to engage top level investment talent, gain exposure to more investment strategies, and instill stability in a position that has had four different CIOs the past 12 years.

"SDCERA aims to be a world-class financial services organization, managing over \$6 billion in assets for our members," said Chief Executive Officer Brian White. "Hiring the best talent available

to guide our investment strategies is good for the fund, the members, the County and ultimately the tax payers.”

Actuaries estimate 70 to 80% of dollars flowing into a pension fund come from investment earnings. A top tier investment program yields better returns and lowers the cost of funding the plan for the plan sponsor and the plan members.

The Portfolio Strategist will guide SDCERA’s asset allocation, manager selection and portfolio construction, implement board-approved policy, and will report to CEO Brian White and the Board of Retirement. The Board of Retirement will retain its control of investment and allocation decisions.

Under the contract, SDCERA will pay Partridge a base management fee of 0.85 basis points of assets under management (AUM), or approximately \$535,000 based on current assets. If Partridge meets certain rigorous milestones, he may be eligible for a performance fee of up to 0.85 basis points of AUM. Milestones include meeting or exceeding the fund’s assumed rate of return of 8.25%, which equates to an increase of at least \$520 million based on current assets. SDCERA expects the increase in costs will be more than offset by the investment gains. Additionally, the cost is significantly less than contracting with a firm to provide the same service, which typically costs 10 to 150 basis points, approximately \$6 million to \$95 million.

“The contract SDCERA structured engages Lee Partridge as a business partner, not an employee,” said Douglas Rose, Chairman of the Board of Retirement. “Trustees designed the incentive portion of the fee agreement to be based on goals that add real dollar value to the fund on both a single year and multi-year time frame. Both parties to this contract will tremendously benefit if all incentive goals are met.”

SDCERA is an independent association established by the County Employees Retirement Law of 1937, which governs 20 California county retirement systems. SDCERA provides retirement benefits for approximately 35,000 eligible employees, former employees who are vested, and retirees of the County of San Diego.